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HUSAK, HONECKER SEND ANTINUCLEAR MESSAGE TO MUGABE

AU101626 Prague RUDE PRAVO in Czech 8 Aug 87 p 1

[CTK report: "G. Husak's and E. Honecker's Letter To R. Mugabe; On a Nuclear-Free Corridor in Central Europe"]

[Text] Harare (CTK) -- A joint letter from CSSR President Gustav and from Erich Honecker, chairman of the GDR State Council, on their two states' initiative, the objective of which is the establishment of a corridor without nuclear weapons in Central Europe, was presented to Robert Mugabe, chairman of the Nonaligned Movement and prime minister of Zimbabwe, in Harare on Friday [7 August].

In a talk with Ivan Zachar, CSSR charge d'affaires in Zimbabwe, and Christian Kleinhempel, GDR charge d'affaires in Zimbabwe, Robert Mugabe expressed thanks for the delivered message. He explicitly valued the CSSR and GDR initiative aimed at establishing a corridor without nuclear weapons in central Europe. He affirmed that the nonaligned countries support all similar steps leading to disarmament and to ensuring peace. The CSSR and GDR proposals for regional nuclear disarmament are in full accord with the objectives of the Nonaligned Movement and are, at the same time, a good foundation for a peaceful dialogue of all democratic forces at the upcoming session of the UN General Assembly.

BCP POLITBURO DECISION ON ATTRIBUTES OF POWER

AU121107 Sofia RABOTNICHESKO DELO in Bulgarian 11 Aug 87 pp 1, 2

["Decision of the BCP Central Committee Politburo: On the Necessity for Profound Changes in the Attributes of Power in Conformity With the Decisions of the BCP Central Committee July 1987 Plenum"]

[Text] In connection with the decisions of the BCP Central Committee plenum held in July 1987, which discussed and adopted the Basic Principles of the Concept of the Further Construction of Socialism in the People's Republic of Bulgaria, profound and comprehensive changes are to be carried out in the political superstructure. The meaning of these changes is to achieve a gradual transition from power in the name of the people to power implemented through the people. This means a new structure of the self-management organs, new rights, obligations, and responsibilities, and a new type of democracy.

Now that we are beginning to set up new organs at all levels, we must introduce such changes in the attributes of power that will most fully and consistently achieve the following:

-- Express what is basically the new method of functioning of party, state, and social organs and organizations.

-- Reveal more fully and convincingly the ideological strength and beauty of our revolutionary ideals and socialist values.

-- Educate the working people, and especially the youth, in a Marxist-Leninist spirit, in a spirit of socialist patriotism and internationalism.

-- Contribute to the achievement of a higher culture, of greater humanity and morality, of a socialist lifestyle in our society.

-- And finally, become natural, simplified, and businesslike, in conformity with the new requirements for leadership and behavior.

The attributes of power must continue to further enhance the democratic traditions inherited from our history, the virtues of the BCP, enriched and further developed by the historic 1956 April plenum of the BCP Central Committee, which restored the Leninist principles and norms of party life and of the political leadership of society.

Many of the present-day attributes belong to a past period in our development. They are in contradiction with the objective, new natural laws, with our new views on democratization, with the requirements of self-management. It is necessary to decisively free ourselves of numerous manifestations, marked by hypocrisy, vanity [pokaznost], and formalism, which result in an alienation of people from those lofty principles in the name of which we are building our new society. Here we are referring to alarming phenomena, such as:

-- Window-dressing in conducting numerous activities on a national and local scale.

-- Forms of celebrating great historical events and honoring personalities that are deprived of meaning.

-- Inflation of intellectual incentives in a number of respects.

-- The established practice of frequently organizing unnecessary festivities and celebrations.

-- The pompus character of numerous manifestations in propaganda and agitation activities.

-- The wasting of people's time with unnecessary actions.

-- The manner in which various meetings are conducted, and so forth.

One of the most crucial problems discussed at the July plenum of the BCP Central Committee was the necessity to eliminate those attributes of power that contradict the principles and norms of socialism.

This task must be dealt with on the basis that self-management does not mean anarchy in the administration of society. Self-management has nothing in common with the idea that everyone must invent his own rules and principles of action. Government authority, the laws, and public order will also exist under the self-management system. Since there is power, there will also be a hierarchy, there will also be leaders. The main thing, however, is that they will work in accordance with the rights, obligations, and responsiblities of the self-management organs, that they wil be under the permanent control of the people.

The attributes of power must also be determined on the basis of the rights, obligations, and responsibilities as well as by eliminating the outdated attributes and establishing new ones.

In view of this, the Politburo considers it approprate that the relevant, competent organs should develop a system of regulations and norms for manifestations of power, guided by the following basic principles:

I. On the State Flag [subhead]

With a view to further establishing the state flag as the most universal and most important symbol:

1. The state flag of the People's Republic of Bulgaria during official holidays is to be hoisted in the central squares of inhabited settlements of the country.

2. A ceremony for the solemn hoisting of the flag is to be prepared and approved.

3. The state flag is to be permanently hoisted on the buildings of centeral state organs, ministries, and other offical departments, as well as on the buildings of the provincial [oblastni] people's councils, municipal people's councils, and mayor's offices in all inhabited settlements of the People's Republic of Bulgaria, in all educational institutions, and at all border checkpoints.

4. The state flag is to be displayed in the offices of leaders of the central state organs, ministers, ambassadors of the People's Repubilc of Bulgaria, chairmen of the people's councils, and mayors.

5. A comprehensive body of regulations is to be worked our for the use of the state flag by the Army.

6. The BCP Central Committee is to approve an instruction for the use of party banners.

Similar instructions can be drawn up by the Bulgarian National Agrarian Union and the sociopolitical organizations.

II. On the State Coat of Arms [subhead]

The state coat of arms of the People's Republic of Bulgaria must be displayed in the official ceremony halls of provincial and municipal people's councils and mayors' offices.

The relevant organs are to order the following:

-- The display of the state coat of arms of the People's Republic of Bulgaria in the central squares of all inhabited settlements during official holidays, and on the central facades of ministries, central departments, and embassies of the People's Republic of Bulgaria.

-- The display of the state coat of arms on vehicles placed at the disposal of officials visiting our country at the invitation of the supreme state organs.

III. On the National Anthem [subhead]

1. An order is to be prepared that is to determine the occasions and the manner in which the national anthem is to be performed.

2. Television tranmissions should end with the playing of the national anthem.

3. A musical arrangement of the national anthem is to be composed that permits it to be sung on a mass scale at rallies, in schools, halls, sports stadiums, and so forth.

IV. On Celebrations of Official Holidays and Anniversaries [subhead]

The practice is to be introduced of rationally marking official holidays and anniversaries, in conformity with the people's wishes, and that avoids functions and activities with are both excessively expensive and unjustified from the financial and ideological viewpoints.

Official holidays should be celebrated in an atmosphere of equal rights and comradeship; they are to be a manifestation of the people's faith and unity, rallied around the cause of the party; they must become genuine nationwide holidays, and manifestations of nationwide joy.

The manifestations of glorifying leaders, regardless of their rank should be eliminated. The chief figure of festivities and celebrations must be the common man, the worker, and creator of history.

In this connection a drastic change must be introduced in the method of celebrating different kinds of festivities.

1. No parades are to take place in future to mark established official holidays.

2. The national day of the People's Republic of Bulgaria (9 September) is to be celebrated annually with festive meetings in the capital, in provincial and municipal centers on the eve of the holiday, and with nationwide festivities in the day itself. The place and manner of holding the celebration is be determined by the self-management organ of the respective territorial community.

Military parades on 9 September are to be held only on round [krugli] anniversaries.

3. The Day of the Great Socialist October Revolution (7 November) is to be marked annually by festive meetings in the capital and the provincial centers, and by celebrations in the municipalities.

4. May Day, International Labor Day, is be celebrated in an appropriate manner by the workers collectives. Nationwide celebrations and festivities of the working people are to be held on May Day, but the place and style of celebration will be determined by the workers' collectives and the territorial communities themselves.

5. The Day of Slavonic Literature and Bulgarian Education and Culture (24 May) is to be marked by nationwide festivities in educational, cultural, and scientific institutions, granting the opportunity for a full display of the people' initiatives.

6. The Day of Bulgaria's Liberation from Turkish Slavery (3 March) is to be declared an official holiday. An appropriate ritual for this celebration it is to be worked out and approved.

7. The anniversary of Botev and the memorial day for those who perished in the struggle against Turkish slavery, capitalism and fascism, and in the Patrioitic War is to be celebrated as in the past.

8. A uniform ceremony is to be established for holiday receptions to celebrate the national day in the diplomatic missions of the People's Republic of Bulgaria abroad.

9. The practice of the official celebration of round anniversaries, every 10 years, of living politicians and other figures is to be abolished.

V. Portraits and Busts [subhead]

The practice established hitherto of the wide, and not always appropriate displaying of the portraits of eminent individuals and members of the party and state leadership of the People's Republic of Bulgaria is to be stopped.

1. Official portraits are to be approved of Karl Marx, Friedrich Engels, Vladimir Ilich Lenin, Dimitur Blagoev, and Georgi Dimitrov.

The portraits of eminent politicians are to be displayed in the buildings of the central, provincial, municipal, and other leaderships of party committee and sociopolitical organizations, and in premises used by the party and sociopolitical organizations.

2. Portraits are to be approved of the most eminent historical personalities of Bulgarian history.

3. In the buildings of scientific, academic, cultural, and other institutions and establishments, depending on their nature, portraits may be displayed of Bulgarian and world figures in the relevant field.

4. The current practice of displaying portraits of the members of the BCP Central Committee Politburo and the CPSU Central Committee Politburo is to be abolished.

5. Portable busts of Marx, Engels, Lenin, D. Blagoev, and G. Dmitrov are to be used for the setting up of permanent corners, or temporary corners (for a specific occasion,) in appropriate buildings used for political and educational purposes.

6. The decision is to be abolished on erecting busts and statues of persons awarded the titles "Hero of the People's Republic of Bulgaria," or "Hero of Socialist Labor" twice during their lifetimes.

7. Permanent busts and statues are to be erected only for national heroes and deceased eminent figures of the country's sociopolitical and cultural life.

VI. Titles, Orders, and Medals [subhead]

1. The title "Hero of the People's Republic of Bulgaria" is to be awarded in exceptional cases on specific grounds connected with the display of heroism and great services to Bulgaria.

2. The title "Hero of Socialist Labor" may not be awarded more than once.

3. The titles "People's Figure" and "Meritorious Figure" are to be abolished. The remuneration previously awarded for these titles is to be retained.

4. Persons are to be awarded orders for services, not for their round 10-year birthdays. The same order may not be awarded more than once to one and the same person, including foreign citizens.

5. Persons may receive awards for round birthdays only after their retirement.

VII. Representational Functions of Top Party and State Leaders [subhead]

The representational functions of top party and state leaders are to be restricted to the minimum required to fulfill their official and duty obligations.

1. In conducting national celebrations, festive meetings, and scientific, cultural, and other functions, the functions of representation and leadership are to be carried out by the representatives of the relevant self-managing municipalities and collectives organizing the event; the taking over of these functions by party workers is not to be permitted.

The presence and participation of leading party and state figures in these events is to be in accordance with their specific tasks and obligations.

2. The protocol adopted for the welcoming and seeing off of official guests, delegations, and party and state figures is to be reduced to the necessary minimum.

3. Journeys in Bulgaria by top party and state leaders are to take place without empty displays and unnecessary formalities.

4. A new procedure is to be introduced for the official reporting by the mass media of events in which top-level leading cadres are involved during the visits of foreign delegations to Bulgaria and during visits by these leading cadres abroad; such information is not to be overburdened with reports of the speeches delivered, toast speeches, photographic material, and so on.

VIII. Organization of Sociopolitical and Official Manifestation [subhead]

The existing practice frequently suffers from excessive pomposity, airs of grandeur, unnecessary advance staging, and so on.

A new method must be introduced for organizing sociopolitical and official public events.

1. Manifestations connected with the gathering of large groups of people should be in conformity with the nature and the importance of the event. It is to be forbidden to unnecessarily waste the time of citizens, specialists, and leaders on insignificant events.

Leaders and officials who needlessly organize sociopolitical and official manifestations, conferences, and so on are to be brought to the strictest account by the party and state organs, and their superior leaderships.

2. The appointment of large, unnecessary presidiums for meetings of party, state, economic, and social organs and organizations is to be stopped.

An effective, workmanlike style is to be adopted, without superfluous ceremonial.

3. Sociopolitical and other manifestations, especially involving youth, are not to be governed by detailed regulations, but wide scope is to be given to the initiative of the participants themselves.

IX. Display Decoration [subhead]

The practice of overdecorating populated areas, the country's roads, stations, squares, etc. with formal slogans and appeals of a general nature is to be abolished. High-quality, artistically executed inscriptions, posters, information boards, and so on, that provide specific information should be used for the decoration of towns and villages, streets, and all transport routes, squares, buildings, and so forth.

The attributes of power should be in conformity with the concept that every leadership post represents service in the name of the people.

-- It is especially important to cease the glorification of leaders because of the posts they occupy.

-- The authority and recognition of every person should stem from his actual services, from his real contribution to our society.

The Politburo is convinced that these measures will assist in creating a suitable political and ideological climate for the functioning of the new organs of power, and for establishing power through the people. The Politburo voices confidence that these measures will be met with understanding and approval by the Communists, members of the Fatherland Front, nonparty members, and all workers in our country.

BTA Highlights Document

AU111633 Sofia BTA in English 1430 GMT 11 Aug 87

[Text] Sofia, August 11 (BTA) -- One of the most valuable assets of the Bulgarian Communist Party is its ability to part resolutely with everything that stands in its way and that checks its progress, to subject to a critical review its own self first and foremost, to look for new solutions best suited to the new conditions, say the "General Principles of the Concept on the Further Construction of Socialism in Bulgaria", a document approved by the CC of the BCP at its plenum held on July 28 and 29, 1987.

The section of the document dealing with the leading and guiding role of the Communist Party emphasises that Bulgarian Communists have always regarded it as their foremost priority to work for the steady enhancement of the party's militant efficiency. The question of its leading role was central to the proceedings of the April 1956 plenum of the CC of the BCP, which restored the Leninist principles and norms of party life. During the years since then, the BCP has functioned and grown as a Marxist-Leninist vanguard and has successfully led the people along the road of building the socialist society. The correctness of its policy is most brilliantly evidenced in today's renovated Bulgaria, stress the "General Principles..." adopted at the July plenum.

Now that the process of comprehensive social restructuring along the lines of socialist self-management had got underway, it is once again necessary to revert to the topic of the party's leading role. The "General Principles..." emphasise that being a ruling party and the BCP remains a political vanguard of the working class. But onward progress will be impossible without reforming the party's work too, without overcoming some aberrations.

This implies a need to free the party of some extrinsic functions, which will further enhance its leading role and will make it still more efficient.

The party can only be a political organisation whose interrelations with state authority are built on the basis of the principle of political leadership of the development of socialist society, the 'General Principles..." indicate. It is not and cannot be a "rung" in the hierarchy of authority. The hierarchy of authority is formed by the respective bodies of people's self-government. The party is not subject to authority, either, it is a political organisation which enters into definite interrelations with the bodies of power, with the bodies of self-government.

The fundamental principle which the document upholds as a point of departure in realizing the party's leading role under the new circumstances is its right and responsibility, in its capacity as a Marxist-Leninst vanguard of the people, to determine the general perspective of society's development, to shape the guidelines for the country's socio-economic growth.

In future, the respective self-governing organisations and their bodies of self-government should be granted the right to determine the concrete ways of impiementing the party line in the economy, in the social sphere and in intellectual life.

The Communist Party realizes its leading role by: consistently implementing a personnel policy in line with the party principles; purposefully engaging in ideological work and character training in the spirit of Marxism-Leninism of the entire population and especially of the young; creating a suitable political and moral atmosphere, an appropriate ideological climate needed for the successful translation into reality of the party's objectives. It is particularly important that the party should be increasingly capable of maintaining full-blooded contacts with the working people with all circles of the people and the guide them in the fulfillment of the major tasks of restructuring.

In a u-turn in their activity, the party bodies should control the progress of work in the general, strategic areas, they should see do it that the party line is implemented. They should bring their influence to bear above all through the party cadres in the respective organizations. Apart from partners, the party and the state bodies can aslo be opponents when necessary, the document points out.

It is reiterated further on that the profound changes mapped out by no means imply a downgrading of the party's leading and guiding role. On the contrary, ridding it of functions and tasks which are extrinsic to its nature as a political vanguard and asserting its proper interrelations with state power, with the self-governing organisations and with the public organisations will enable the party organisations and leadership, the individual Communists and the party as a whole to create the necessary political and ideological conditions for implementing the policy of search for qualitatively new growth rates, of accelerated socio-economic development of the country, of a still more efficient exercise of the BCP leading role.

The document calls marked attention to the requirement for a resolute upgrading of the ogranisational and ideological level of the whole party, for strengthening inner-party democracy and for promoting steadily its links with the masses.

FILIPOV LEAVES FOR MOSCOW ON 'BRIEF WORKING VISIT'

AU120828 Sofia RABOTNICHESKO DELO in Bulgarian 11 Aug 87 p 6

[Text] Grisha Filipov, Politburo member and secretary of the BCP Central Committee, left on 10 August for Moscow on a brief working visit at the invitation of the CPSU Central Committee.

Igor Ponomarev, plenipotentiary minister-counsellor of the Soviet Embassy in Bulgaria, was present at Sofia airport to see off Comrade Grisha Filipov.

RUDE PRAVO CARRIES DRAFT LAW ON STATE ENTERPRISE

WA111026 Prague RUDE PRAVO Supplement in Czech 18 Jul 87 pp 1-15

[Preamble and Draft Law on State Enterprise]

[Text] The CPCZ Central Committee and CSSR Government hereby submit for public discussion a draft law concerning state enterprise. Discussion will end on 31 October 1987. Citizens, agencies, and organizations may send their proposals and comments to the CPCZ Central Committee, the CSSR Government, or the Central Committee of the National Front of the CSSR.

Preamble to the Draft Law on State Enterprise

I. Political-Economic Justification of a Draft Law on State Enterprise

The drafting and implementation of a law concerning state enterprise are integral parts of the strategy of accelerating economic and social development that was outlined at the 17th CPCZ Congress. This strategy is based on the need for revolutionary changes in the way research and development findings are implemented and in our level of integration into the international division of labor (and especially socialist economic integration). Implementing this strategy will require an increase in the quality of all work and a high level of efficiency throughout the reproduction process. Together this will facilitate further progress in the production of goods and services and in the creation of spiritual values for the daily lives and work of individuals.

These postulated changes in the character of our economic and social development will require systematic departure from dead-end, counterproductive tendencies of extensive management that are based on the use of increasing inputs of power, materials, capital and labor in the production process to achieve growth. Instead we must emphasize a new type of economic growth that is based on the increasingly effective utilization of existing factors of production.

Achieving such changes will be possible only by better utilizing the advantages of socialist production relationships, through the committed activity of all participants in national production, by encouraging employee initiatives and participation in management, by improving the sophistication of managerial work both at the central and the enterprise level, and by strengthening socialist democracy. In other words, this means a qualitative overhaul of the entire economic mechanism.

The basic objectives of this process are contained in Principles for Restructuring the CSSR Economic Mechanism [hereafter Principles] and in the Work Program for the Comrehensive Document for this restructuring. Both these documents were adopted by the CPCZ Central Committee and the CSSR Government earlier this year and have been published. Because of the difficulty of achieving the goals and objectives outlined in the strategy for accelerated socio-economic development for our society, which were also included in the Eighth 5-Year Plan, restructuring the economic mechanism emerges as an immediate, top priority task. As with the entire intensification process, this resrtructuring will be comprehensive in nature, and must therefore, be conducted in a uniform and effective manner through the coordinated use of planning techniques, economic mechanisms and incentives, organizational structures and personnel policies.

Restructuring the ecnomic mechanism will require a deeper and more broadly-aimed utilization of all the advantages and basic principles for managing a socialist society and economy. These include the leading role of the party, the controlling role of the socialist state, democratic centralism, planned development, compensation based on work performance, and the active exploitation of market relationships. The restructuring process must use these principles to further the ultimate objective of a socialist society, i.e. the full satisfaction of its needs. The restructuring process will be very complex and demanding. It will touch all areas and aspects of planning, organization, and economic management, including all levels of central end enterprise management. It will require changes in attitudes in the execution of all tasks related to the development of the socialist economy. Increasing the role of efficiency in assuring new, higher quality economic development will place great demands on changes in our thinking. For this reason a basic precondition for the successful implementation of this entire process will be a high level of commitment by employees, the concentrated and unified efforts of state, economic, and union authorities and organizations under the leadership of the CPCZ.

This broadly conceived objective for the restructuring of the economic mechanism will require substantial changes in a number of general statutes or the passage of new ones that will codify changes in the positions, rights, and responsibilities of central agencies, enterprises, and work collectives. This will mainly involve standards that define the authority of ministries and other central agencies, the scope of national planning, transfer payments and taxes, state budget regulations, codes governing interenterprise and labor law relationships, etc. It will also be necessary to define the status and authorized activities by state enterprises, JZD, cooperative enterprises, budget-supported and self-supporting organizations, stock companies, companies with foreign ownership participation, as well as standards governing economic activities of citizens.

The major consideration in these efforts will be consistent application of the principle of democratic centralism. We must achieve a better match between improved quality and effectiveness of central management and strengthened initiatives and independence in the enterprise sphere. This will require a better definition of the authority at these levels of management and in their interrelationships so that responsibilities are not diffused to higher levels of management, or that supervisory agencies do not meddle in matters for which the law holds the enterprise accountable. This will also set the groundwork for closer cooperation between state agencies and enterprises and for a reconciliation between national and enterprise interests. One of the substantial changes is that central agencies will be devoting most of their efforts to questions of long-range socio-economic development, 5-year plan formulation, the management of national programs related to innovative structural changes, and integration in the international division of labor. At the same time, the central agencies will be using the improved management system as well as political balance in all areas of the economy to generate demanding and stimulating conditions in order to foster socialist entrepreneurship and competition between enterprises as they attempt to meet national needs. Central agencies will have to get away from unproductive operating activities, from detailed involvement in the daily work of enterprises and the issuance of regulations that are not absolutely necessary.

A second aspect of this process will be a fundamental strengthening of enterprise independence in all areas of the economic and social activity, their shift to a full cost-accounting system of management using internal resources [khozraschet] and self-financing, and the implementation of the principle of socialist enterprise independence, with the objective of fostering socialist entrepreneurship. Such entrepreneurship should be understood as the exercise of rights and the discharge of responsibilities in enterprise operations, fully satisfying the needs of a socialist society while providing for the economic and social development of its work collectives.

The substantive details and time schedule of the work program related to the restructuring of the economic mechanism were discussed by the Fourth and Fifth CPCZ Central Committee Plenary Sessions. These sessions made the decision that the first document to be drafted and published in relation to Principles should be a law concerning the state enterprise. This law is of vital importance to the objectives of the entire upcoming restructuring process, because the most important and immediate task of this restructuring is to develop the initiative and participation of work collectives in management, primarily at the enterprise level, which is where goods are produced and where state plan tasks are either fulfilled or not.

The draft law presented here establishes the legal position of the enterprise and its assets, defines the rights and responsibilities of the enterprise and its relationship to society, especially to state agencies, national committees, branch offices of the Czechoslovak State Bank, customers, end users, and vendors. The law also sets down the relationship of the enterprise to party agencies and organizations, the means for implementing the leading role of the party, the relationship to union and other national organizations. The law also defines the relationship between enterprise management and autonomous agencies.

The CPCZ Central Committee and CSSR Government have discussed and approved this draft law concerning the state enterprise and authorized its publication. The draft law concerning the state enterprise is hereby submitted for public discussion with the objective of involving as broad a spectrum of workers as possible in the process of restructuring the economic mechanism, allowing every citizen the opportunity to speak out on matters that directly affect him, and to make him feel a sense of joint responsibility as participant in this restructuring, in the spirit of reinforcing democracy in our socialist society.

II. Rationale for the Main Sections of the Draft Law Concerning the State Enterprise

1. The State and the Enterprise

Principles for Restructuring the Economic Mechanism, which have already been adopted, mandate significant changes in relationships between state agencies and enterprises. In terms of formulating the law concerning the state enterprise it is particularly important that state management of enterprises scrupulously respect, not only the supreme and central role of the state in a socialist society, but also the necessity for a substantial increase in the level of enterprise independence, which is essential for developing employee initiatives. In the context of Principles of Restructuring this, in particular, requires "implementing across the board limitations on operating and administrative management by central agencies with the objective of freeing central agencies for conceptual work, for improving management techniques and increasing responsibilities and authority of organizations." One fundamental shift will be to change the content and techniques of the managerial function of the state, as follows:

-- The state 5-year plan will set long-range standards, specific tasks of national importance, and limits on scarce resources (raw materials, foreign currency, etc.) that are essential to the economic activities of the enterprise;

-- A system of transfer payments and taxes to the state budget and allocations to enterprise funds will be used to set general guidelines for distributing available resources between society and enterprises, as well as the basic division between consumption and development use;

-- State management will set prices or the regulations for their formation and modification;

-- In line with its founding function, the state will through its agencies, make decisions concerning the establishment and liquidation of enterprises, and in cases of poor enterprises management, will intervene directly in its internal management.

Under Section 36 of the law, the fundamental mechanism of planning relationships between the state and the enterprise will become the binding long-range standards (determined in a uniform manner for all enterprises) and selected specific binding tasks and constraints (specifically defined for each enterprise). This will replace the current sets of binding indicators. All of these binding planning targets will be set for enterprises mainly in the 5-year state plan for national economic development for the CSSR. Section 36, Paragraph 2 also provides that the enterprise is the direct recipient of these binding state plan targets. That means, that here will be no additional intermediate element functioning according to full cost accounting system principles between central agencies, which will have the authority to specify tasks and limits to the state plan under the law governing the 5-year plan, and an enterprise.

Specific tasks (government orders) of the state plan should, in the future, be used only for the most important national priorities (such as nuclear power plant construction, important cooperative international projects, state financed capital construction, etc.). In the near future, however, it will be necessary to use these binding tasks as well as in instances where certain products in short supply are needed. It will also be necessary, for the near future, to set individual limits for enterprises in the areas of foreign currencies, fuel consumption, energy use, strategic raw materials consumption, etc. The CSSR Government will determine the scope of these and perhaps other mechanisms (potentially related to quality control).

One of the most important and generally utilized mechanisms of state plan-enterprise interaction will be long-range standards that will be set uniformly for all enterprises. These standards and other regulations will determine enterprise access to capital to finance mainly research and development and investment development, cultural and social programs, and wages. These demands will be fully governed by the merit principle, i.e. will depend on the actual economic performance of the enterprise (and primarily on disposable profits). The use of these standards is intended to give enterprises an incentive to adopt more ambitious plan targets and achieve those performance targets.

Under these new conditions, the state will be able to use price, credit, financial, and wage policy to affect the rational economic behavior of enterprises to a greater extent than before. The basic approaches in these areas are set forth specifically in Section 13, 44-46, and 64. These sections express those principles of restructuring related to the need to utilize actively value tools for the planning and management of an economic equilibrium, to provide resources for national consumption, to bring supply and demand into line in all areas of the economy, and to implement fully the principle of compensation based on work performance.

Defining the role of the state and the relationships between government agencies and enterprises in this manner will result in long-range legal guarantees for enterprises (see Section 6, for instance) and give them a broad latitude for making their own decisions in all spheres of economic and social activity, including the focus of production and research activities, investment, the development of trade, activities, the allocation of internal resources to boost earnings or to provide for social programs, etc. As numerous other provisions of the law indicate, the state will tie this opportunity for socialist entrepreneurship very closely to responsibility of the enterprise to meet national requirements, and to retain enough capital to provide for their own future development.

2. Rights and Responsibilities of a State Enterprise

The preamble to the draft law concerning the state enterprise makes clear that enterprises fulfill their economic, social, and political mission in line with the economic policy of the CPCZ, which leads and directs the forces of socialist society, its agencies and organizations. Under these new conditions of expanded authority and responsibility for enterprises, the importance of this leading role of the party increases. Party organizations within enterprises are the political core of work collectives, will control the activities of enterprise management, implement CPCZ personnel policy and, through its members direct as well the activities of independent agencies, unions, youth, and other national organizations active within the enterprise.

State enterprises and cooperative organizations are critical elements of a unified Czechoslovak economy. The draft law presented here covers the economic and legal standing of state enterprises, i.e. those established by central agencies of the government, and by the national committees. Legal standards governing cooperative entrepreneurship and economic activities of other entities, such as joint ventures with international participation, will be established by statutes related to this law.

The main role of enterprises is to develop the economic potential of our country and to achieve, as specified in Section 2, the supreme objective, namely the full satisfaction of growing needs of our people in goods and services. This requires an ongoing intensification and improvement of the public ownership of means of production (national property under Article 8 of the Constitution of the CSSR). It will also require further refinements in the planning system, the implementation of full enterprise cost accounting system, the development of socialist independence in work collectives, improvements in the position of customers and end users vis-a-vis vendors (see Section 5), and an improvement of the relations between enterprises and national committees.

Enterprises are producers of goods and services under the conditions of socialist production relationships (see Section 3). For this reason, satisfying the needs of consumers must be not only a responsibility, but it must be in the economic interest of the enterprises as well. In other words, there must be both economic pressures and incentives for enterprises to produce a desired mix of products and services with the minimal amount of capital and labor inputs. This also means, however, that enterprises must be capable of flexibly reacting to changes in the structure of demand, respond rapidly to new research and development attainments, and to change both within the Czechoslovak economy, and in foreign economic conditions. All of these factors will affect prices, revenues, profits, and other aspects of enterprise performance and, therefore, the resources available for economic incentives.

Under Section 3, Paragraph 3 enterprises will be fully responsible for increasing the value of property entrusted to them under socialist national ownership, and for the social development of its employee collectives. Under the principle of self-financing, the enterprise must generate capital for these purposes, which is to come from profits (see Section 14).

In instances when enterprises fail to fulfill their responsibilities related to binding state plan tasks, to applicable legal standards, or agreed upon commitments to end users or customers, provision is made for the use of exceptional directive intervention by the state into enterprise operations (under Sections 71-73), or for the assessment of penalties. These will apply to cases when an enterprise fails to meet binding tasks for exports, established quality standards for its products, delivery schedules, etc. On the other hand, Section 11, Paragraph 3 protects the enterprise from unauthorized external intervention in its operations, such as the setting of tasks or limitations that are not related to the state plan.

The law will also include a right of enterprises to compensation for material damages, provided that they result from a decision by state agencies and the enterprises demonstrate the extent of the damages wihin the established time frame. Under no circumstances will an enterprise have any right to damages that result from its own poor management.

Under Section 6, Paragraph 1 of the draft law, an enterprise is understood to be an independent legal entity. This mainly means that it has the right to enter into direct economic and legal relationships, bears full responsibility for obligations it undertakes, and is accountable for the successful fulfillment of its economic and social mission.

The collective of enterprise employees, its leadership, and the agents of the work collective are an association of people under labor law who occupy various positions and who set the preconditions for an enterprise to fulfill successfully its economic and social functions.

The foundation for the fulfillment of its functions by an enterprise is the socialist national ownership of the means of production. Under Section 12 of the draft law, the part of socialist ownership entrusted to an enterprise is designated as original property. This involves the actual value of buildings, machinery, and equipment, along with the value of inventories and incomplete capital investment projects that are being funded with internal resources. This represents for the enterprise its property basis of operations. The enterprise must manage this property in a way that will permit it to pay all legally established transfer payments and taxes to the state budget (transfer payments from wages, property, profits, and sales taxes) and to assure the minimum allocations to its own enterprise funds. These transfer payments, taxes, and fund allocations represent the minimal national standard of efficiency that an enterprise must meet. The enterprise may allocate any capital generated in excess of these requirements as it wishes. This financial position of an enterprise is described in Section 13-16.

If an enterprise is unable to achieve the above minimal level of efficiency, if it proves unable over the longer term to pay its bills, and particularly if its original property is threatened, then state agencies have not only the right, but the responsibility, under Sections 71-73, to intervene. This will force the founders of an enterprise to monitor on a regular basis its prosperity, make timely decisions concerning needed structural changes, foresee problems and make advance plans for defensive programs, take steps in the area of personnel, and otherwise minimize instances when it might be necessary to liquidate the enterprise as an independent legal entity because of poor management over the long term. Liquidating an enterprise is permitted under Section 18 and Section 71, paragraph 4 d). In all instances of enterprise liqudation the founder is obligated to provide assistance in finding new employment under the legally guaranteed workers' social security.

In Part IV (Sections 36-70) the draft law provides general definitions of several important economic and social activities of enterprises (such as planning, research and development progress, the distribution system, socioeconomic information, finances and prices, labor and wages, social development, environmental protection, etc.). The form of the legal codification of these activities follows from Principles of Economic Restructuring, and will be further refined in the course of work on the Comprehensive Document for Restructuring the Economic Mechanism. All these economic and social activities of an enterprise will continue to be guided mainly by its economic plan, which is the fundamental mechanism of full cost accounting system management. Under Section 37, an enterprise will formulate its plan based on the binding outputs of the state plan, signed economic commitments and contracts, job orders, knowledge of the domestic and foreign markets, and its own developmental objectives.

The enterprise plan and cost accounting system methods will be formulated, under Section 26, to conform to the specific conditions of internal enterprise divisions. This involves the delegation of economic authority and responsibility to internal enterprise divisions (plants, work shops, and cost centers) so that these divisions can conduct their affairs in a way consistent with enterprise tasks and objectives. At the same time it is important that the enterprise provide some divisions, such as large, remotely located plants or foreign commercial divisions and the like with the requisite authority and independence to make decisions in the name of the enterprise (sign contracts up to certain limits, have an account at a Czechoslovak State Bank). Excessive centralization of all decisionmaking at the executive level of management at large enterprises results in lack of decisionmaking flexibility, administrative overloading of enterprise directorates, and weakening of the initiative of internal enterprise divisions. One enterprise responsibility, outlined mainly in Section 8, will be cooperation with the national committee on whose territory the enterprise has its main operations. This cooperation should be mutually advantageous in that the enterprise can contribute to the development of local villages and towns, helping national committees to meet their objectives for recruitment and allocation of labor, and creating the best possible work conditions for our citizens. The enterprise must respect the legal status of the national committees. The new position of the enterprise also requires a new formulation of economic competition among organizations. Under Section 39 this must be developed as an integral component of the utilization of the creativity of work collectives and entrepreneurial initiatives by enterprise managements. Competition should be directed at meeting the full range of demands of domestic and foreign customers with high quality competitively-priced merchandise. Competiton defined in this way must penetrate to all levels of management, forcing out egalitarian views and unhealthy monopolistic attitudes. This spirit of competition will be supported by the state through an expansion of the rights of organizations to start new ventures in various areas of production, trade and foreign trade activities, rights to choose marketing and purchasing strategies, and take advantage of integration into the international division of labor. The state will facilitate competition between domestic and foreign goods on the domestic market, will increased the number of enterprises especially in the area of consumer goods production, provision of services, etc. In all instances competition will be socialist in nature which, in the context of a restructured economic system, will better satisfy the needs of workers.

3. Organization of the Enterprise Sphere

The draft law assumes the need to recognize the specificity and dynamism of the reproduction process in different sectors and areas of the economy. It takes into account that various organizational forms for entrepreneurial activity will be employed, and that organizational structures will adapt readily to specific economic tasks. It offers latitude for the creation of various types of enterprises in terms of size, focus of activity, internal organization as well as in terms of the effective utilization of elements of kombinat, sectoral, and territorial forms of organization. In addition to large economic unit-enterprises of the kombinat type, small and medium sized enterprises will also be established with specialized production or commercial objectives, and a great deal of innovative activity. It is clear, for instance, that in the areas of railway transportation or power generation there will always be one national enterprise, or that in the field of heavy engineering, metallurgy or industrial chemistry there will always be large enterprises. By the same token, in the areas of specialized products or services there can frequently be numerous enterprises with small work forces. In this regard Section 71 defines in detail the founding activities by the state and national committees. These involve mainly the conditions for the creation or liquidation of an enterprise association, merger or breakup of enterprises. Section 78-81 set forth the rights of enterprises to merge assets and operations voluntarily in order to achieve a joint objective. [paragraph continues]

Based on initiatives of central state agencies, national committees, and enterprises, more effective forms can be created for integration or specialization in the production, technical, operational, and research and development areas, with the objective of improving the efficiency of organizational structures in all places where this can have a demonstrable economic impact.

The assumption is that only those large economic units (the current VHJ) which are economically justified -- mainly due to the fact that their structural units (current enterprises) are organically linked through production, research, or commercial programs -- will be retained. Generally, however, enterprises that have specialized production programs which serve a broader range of customers and which have been included in VHJ for merely formal organizational reasons, are likely to be split off from these VHJ. These [surviving] large VHJ may, under the law, take on additional economic functions, such as foreign trade, design, or research and development activities. Regardless of whether these large VHJ are organized on kombinat, sectoral, or territorial principles, they will function as an enterprise under full cost accounting system. Under Section 10 b) various organizational structures can be chosen for them, such as production enterprise, commercial enterprise, kombinat, production association, research and development association, etc. On the contrary, those VHJ that have arisen haphazardly from different or specialized enterprises, or which have an unjustified monopoly especially in the area of consumer goods production, services or trade, will be broken up into a larger number of [smaller] independent operations. Decisions whether organizations will be either broken up or merged, and how the independent enterprises will be reconstituted, will be determined by the founder of the enterprise, usually the state represented by an appropriate agency.

This concept of organization implies that the legal status of, and the cost accounting system in the enterprises, as well as the responsibility of the general manager and the work collective council are inseparable under the new law and that they have a bearing on only element of management, i.e. on the enterprise. It is impossible, therefore, to maintain the current situation where one legal subject of the enterprise sphere (the enterprise) is subordinate to another legal entity (the VHJ general management). The process of rationalization of organizational structures will thus lead to a natural optimization in the arrangement of the enterprises to an economically effective concentration and specializations of production, and will not result in one-track disintegration tendencies.

A part of this process is the right to merge resources and operations as described in Sections 78-81. This is accomplished on the basis of agreements between enterprises and is designed to solve problems of common interest. These forms of association could conceivably lead to proposals for the founding of a new enterprise as a separate legal entity.

In addition to the standard type of state enterprise, Sections 75-77 define a so-called publicly beneficial enterprise. These enterprises are engaged in satisfying general or special public needs in instances where the principles of self-financing do not apply or apply only partially. The area of operations of such enterprises is determined by the government.

In its basic conception, the draft law also meets the needs of the development of direct relationship between our enterprises and foreign organizations, especially within CEMA. The rights of these enterprises are generally outlined in Sections 5 and 48-50. Through these relationships, the law will also support the gradual convergence of the economic mechanisms of socialist countries. It is also very important, however, that the basic principles of our draft law be very close to the concepts of the published Soviet draft law concerning the state enterprise (association).

The Soviet law shares the concept the state enterprise as a socialist producer of goods, as a basic element and inseparable component of a homogenously planned management of socialist economy, an an organization with a management based on full cost accounting system, self-financing, and autonomy.

4. Management and State Enterprise Autonomy

Enterprise management must be based on a more profound application of the principles of democratic centralism. This involves a dialectic link between government controls and autonomous socialist management of the enterprise work collective.

The economic policy of the government and the application of its controlling jurisdiction over all enterprises must fully support socialist entrepreneurship focused on satisfying social interests. This jurisdiction cannot be used to violate the enterprise legal rights, but should create a congruence between the state plan and the cost accounting system. This follows from the rising importance of the necessity to motivate, and to assume responsibility, on the part of entire work collectives which engage in entrepreneurial activities of the socialist type, that are substantially different from the merely passive fulfillment of tasks imposed from above. This makes it important to involve the broadest possible range of employees in the process and to significantly increase their joint responsibility for enterprise management.

Socialist autonomy is outlined in Sections 27-35. It is implemented in the form of participation by the entire collective, and its social organizations in enterprise management, in the drafting of important decisions, and in the checking of their implementation. It is also reflected in the form of election of management personnel. Autonomy is the basis for the development of worker initiative and responsibility in the interest of achieving high economic performance, fostering discipline, and the organized fulfillment of assigned tasks. These conditions will also contribute to the creation of increased opportunities for the activities of worker organizations, and especially the Revolutionary Trade Union Movement [ROH]. Unions will contribute to the increase in maturity of work collectives so that they can carry out their independent functions in the best possible manner, in addition, unions will, in the interest of further strengthening the position and increasing the role of the working classes and other employees, expand socialist democracy, defend and develop justified class, group, and individual interests of the workers. Unions will also encourage workers to fulfill economic plans, monitor the fulfillment of social development tasks of the work collectives as well as compliance with collective contracts, and will protect the legal rights of workers. In selected areas, unions will exercise the right to public control. ROH is and will remain an inseparable and insignificant component of the mechanism of socialist autonomy.

This role of the ROH follows from the fact that the achieved high levels of political commitment, education, and workers sophistication have resulted in the responsible use of autonomy -- the rights of responsible managers of the property entrusted to them under national socialist ownership. The mass expansion and improvement in the actual participation of work collectives in the management of enterprise property will thus become the basis for the realization of the historic advantages of socialism.

In Section 23 of the draft law, the requirement of enterprise management is fulfilled by a single, responsible manager in line with the performance of entrepreneurial functions of the self-government officials. The assumption is that there will be such limitations an the authority of the independent officials that will enable senior managers to act with full responsibility and authority, effectively and rapidly, and that on undesirable situation of so-called "duplicate responsibility" in decision making involving a manager and a work collective council will not arise.

These requirements of worker participation in management and in the entrepreneurial function of the work collective council form the basis of the proposed composition of this council (Section 32). The council is to consist of representatives of workers, party, union, youth, and other social organizations as well as of experts proposed by the enterprise director. In addition, meetings of independent officials may be attended by representatives of the enterprise founder, i.e. the central government agency or national committee, as well as the enterprise general manager.

5. Preparations and Implementation of the Law

After evaluating the public discussion, the draft law will be adjusted and presented for debate by the CPCZ Central Committee, and for approval by the CSSR Federal Assembly (sometime during the first half of 1988). The law will then take effect. At this point, however, the restructuring of the economic mechanism will not have progressed to the point where all the necessary preconditions for the full functioning of the law will be in place. In particular, a complex of necessary changes in planning methodology and especially in the standards of the state plan will not be implemented until 1 Jan 1991. The system of levies and taxes will take effect on 1 Jan 1990 in conjunction with a comprehensive restructuring of wholesale and retail prices that will have taken effect on 1 Jan 1989. Furthermore, changes in the organizational structures of the production technological, operational, and research and development base (VHJ and enterprises) will be a long-range process that could not accomplished in such a short time.

From the above considerations it follows that between 1988-1990 individual provisions of the law will take effect gradually. With this in mind the final provisions of the law will be further refined and explained particularly as they apply to the completion on the Comprehensive Document for Restructuring the Economic Mechanism. The fundamental requirement is however, that the law concerning the enterprise and other legal standards be codified in a manner consistent with Principles for the Restructuring of the Economic Mechanism, and that they be fully ready for implementation during the formulation period for the Ninth 5-Year Plan (1989-1990) so that they can have a positive impact on its preparation at the enterprise and central levels.

Draft Law On State Enterprise

The strategy of accelerating the socioeconomic development in the CSSR, for the purpose of increasing substantially the standard of living of its people, requires the full implementation of a restructuring of the economic mechanism aimed at the intensification and improved efficiency of the socialist economy, strengthening the socialist democracy and increasing individual participation in the management and governance of society.

The basic building blocks of the national economy are state enterprises and cooperative organizations which play a critical role in developing the economic potential of our society and in achieving the main objectives of national production under socialism, namely the fullest possible satisfaction of the needs for goods and services by the general public.

The state enterprise fulfills its economic and social tasks in accordance with the CPCZ policy. Party organizations active within the enterprise are the political core of the work collective and unify the efforts of enterprise management, work collective representatives, and national organizations associated under the National Front for the satisfaction of national needs. These party organizations exercise the right of party control over managers of the enterprise and implement the personnel policy of the CPCZ.

Public organizations associated under the National Front function within the enterprise according to their own bylaws; they share in the development of creative initiatives by workers, and in increasing the workers' responsibility for the results of the economic and social activities of the enterprise.

ROH plays an important role in the development of the state enterprise and in protection of all legitimate interests of work collectives.

All activities of the state enterprise are managed according to democratic centralism. The main management mechanism of the state enterprise is the state plan for socioeconomic development.

In the interest of creating all necessary conditions for the fulfillment of these tasks and achieving all outlined objectives the adoption of the following law is proposed.

Part I. General Provisions

Section 1. Purpose of law

The purpose of this law is to establish the status and legal framework for the state enterprise [hereafter referred to as "the enterprise"] as the basic component of the national economy.

Section 2. Mission of the Enterprise

1) The main mission of the enterprise is the full and efficient satisfaction of the needs of socialist society for goods, labor, and services.

2) The enterprise is responsible for furthering the economic and social development of the work collective.

Section 3. Enterprise Activity

1) The enterprise is a socialist producer of goods and carries out its business operations on the basis of the state plan, the principles of full cost accounting system management, and socialist autonomy.

2) The property used by the enterprise in its business operations is under national socialist ownership (it is public property).

3) The enterprise is responsible for increasing the value of these assets, improving their quality, and using and maintaining them fully, effectively, and economically.

Section 4. Socialist Legality in Enterprise Operations

The enterprise conducts its economic and social activities in accordance with socialist legality; it must respect the interests of the state, of the entire socialist society, and the rights of citizens and their national organizations, and may not place its interests ahead of those of society.

Section 5. Cooperation Among Enterprises

1) Enterprises are required to cooperate in implementation of their economic and social programs in a way that best meets the needs of the socialist society.

2) Enterprises must make use of the international division of labor in their economic activities, and especially of socialist economic integration. They have the right to enter independently into and establish direct relationships with CEMA member countries.

Section 6. Enterprise Independence

1) The enterprise is an independent legal entity.

2) Intervention may take place in the operations or territory of an enterprise only under the conditions and in the manner established by special regulations.

3) A state agency that acts prejudicially against assets of an enterprise, by intervening in its operations, is obligated to compensate the enterprise in question. Both the conditions and scope of payments for damages and conditions under which no compensation is required are established in special regulations.

4) Should an enterprise cause harm to come to the state or to another enterprise or entity through its operations, it must compensate the aggrieved party for these losses to the extent determined.

Section 7. Worker Participation in Management

1) Worker participation in enterprise management and in decisions regarding difficult economic and social questions, which is a reflection of socialist democracy, is implemented under the leadership of the CPCZ in the form of work collective autonomy, and through the participation of National Front organizations, particularly the ROH and the Socialist Youth League.

2) Worker participation in the managment and control of enterprise activities reflects their joint responsibility for effective enterprise management and for the full satisfaction of the needs of a socialist society.

Section 8. Relationship Between the Enterprise and the National Committees.

The enterprise is required to cooperate with the respective national committee in its economic and social activities and to participate in the comprehensive economic and social development of the territory of that national committee. Its programs must not conflict with decisions made by national committees in their fields of authority.

Part II. Founding and Position of an Enterprise, Changes in Organization and Liquidation of Enterprise

Section 9. Founding of an Enterprise

1) An enterprise is established on the basis of a decision of its founder on the day it is recorded in the enterprise register.

2) The enterprise founder records the application in the register. The application must include the date the enterprise is to be entered into the register. The founder must also provide the following data in the application:

a) the enterprise bylaws;

b) approval by the appropriate government agency to include the nature of future enterprise operations, whenever regulations require such approval.

3) The organization type and form, as well as the size of the enterprise are chosen by the founder, based on the function of the enterprise, the founder then makes effective integrative use of elements of the combine [kombinet], sectoral or territorial principles of organization in such a way as will maximize opportunities for socialist entrepreneurship.

Section 10. Enterprise Bylaws

The enterprise bylaws must contain:

a) the name and location of the enterprise;

b) the designation of the type of enterprise (e.g. production enterprise, commercial enterprise, combine, production association, research-production association, etc.);

c) a definition of the main purpose of operations (activity);

d) a determination of the start-up value of assets entrusted to the enterprise upon its founding;

e) indication of the founder and designation of the scope of his obligation to the enterprise, and the scope of enterprise obligations to the founder, unless otherwise determined by special regulations;

f) other facts as specified by this law or special regulations.

Section 11. Legal Standing of the Enterprise

1) The enterprise may enter into legal agreements in its own name, may acquire rights, undertake obligations, and bear responsibility for any losses as a consequence of such decisions.

2) Details on the standing and operations of the enterprise as a legal entity are set forth in the enterprise charter.

3) The enterprise has a right to defend itself against unjustified intervention in its economic and social activities;

4) The enterprise is not responsible for commitments made by the government, other enterprises, or other entities. The government is not responsible for obligations of the enterprise. Exceptions are made under special regulations.

5) The founder is responsible for enterprise obligations only to the extent established by special regulations or the enterprise charter.

Section 12. Position of the Enterprise With Regard to Assets

1) The enterprise manages assets entrusted to it under socialist national ownership. This constitutes the so-called original assets. The enterprise also manages any assets and property rights that it may have acquired as a result of the conduct of business. Original assets are composed of the portion granted at the time of founding and of increments generated in the course of conduct of business.

2) The enterprise has the right to use these assets and expend them in the pursuit of its goals, unless otherwise limited by special regulations.

3) The value of the original assets may not be used for any purpose except the one for which it was authorized.

Section 13. Financial Position of the Enterprise

The enterprise is directly related to the government budget (of both the federation and the two republics), the national committee budgets, state funds, and branches of the Czechoslovak State Bank.

Section 14. Self-financing

1) The enterprise meets its needs and covers its costs from revenues (resources and yields) gained from its operations and from depreciation as well as from other internal and external sources.

2) The enterprise uses its revenues first to meet its liabilities to the state (fees and taxes) and to pay into the funds which it has established.

3) The profits that remain [hereafter "net profits"] may be used independently by the enterprise and cannot be taken away from it.

Section 15. Enterprise Funds

1) The enterprise will form the following funds:

a) a development fund designed to finance research and development, investments, including modernization and refitting, and increased inventories;

b) a bonus fund (dependent on economic performance);

c) cultural and social fund;

d) a reserve (risk) fund designed to cover losses and risks and to finance fluctuations in enterprise cash flow;

e) a foreign currency fund, under conditions established by Section 50 of this law;

The enterprise may create other funds, as it sees fit, from its net profits.

2) The CSSR Government may establish a responsibility to form other special purpose funds and assign allocations to them.

Section 16.

Fund resources generated by an enterprise may not be taken away; the enterprise makes independent decisions about their use. Unused balances in specific funds may be carried over to subsequent calendar years with no penalty.

Section 17. Changes in Enterprise Organization

1) The founder has the right, under conditions set by this law, to break up the enterprise or to merge it with another enterprise or entity, as long as this change improves the economic performance and social activities of the enterprise.

2) Changes in enterprise organization take effect when the change is recorded in the enterprise register. The founder will proceed according to *Section 9.2 when recording* changes in enterprise organization.

Section 18. Liquidation of an Enterprise

An enterprise is liquidated:

a) when the time period for which it was established expires;

b) when the task for which it was founded is complete;

c) when it is broken up or merged with another enterprise or entity with the concurrence of the founder.

d) when it is consolidated with another enterprise or entity with the agreement of the founder;

e) when it is liquidated by the founder.

Section 19. Transfer of Property and Obligations

1) When an enterprise is broken up, its assets and liabilities are transfered to other enterprises or entities that will accept them;

2) When an enterprise merges with another, its assets and liabilities are transfered to the enterprise resulting from the merger or to another entity;

3) When an enterprise is consolidated, its assets and liabilities are transferred to that enterprise or another newly created entity.

4) When an enterprise is liquidated, as per paragraphs a), b), and e) of Section 18, the founder takes steps to deal with the assets and liabilities. If he does not do so, the enterprise will be liquidated.

Section 20. Reporting Responsibility

An enterprise or other entity which has assumed the assets or liabilities of a liquidated enterprise must promptly inform all enterprises and other entities affiliated with the disbanded enterprise. If the enterprise is disbanded under the conditions of Section 18 paragraphs a), b), or e), then the founder bears this responsibility. If the enterprise is being liquidated, it is the responsibility of the liquidator.

Section 21. Effective Date of Enterprise Liquidation

The legal consequences of liquidating an enterprise take effect the day the enterprise is deleted from the enterprise register. Under the circumstances of Section 18 paragraph b)-e), this decision is made by the founder.

Section 22. The Right of the Government Agency Maintaining the Enterprise Register

The state agency that administers the enterprise register has the right to refuse to enter the enterprise name in the register or to refuse to delete a name from the register if it determines that such actions would be contrary to law.

Part III. Enterprise Management and Socialist Work Collective Autonomy.

Section 23. Enterprise Management Agencies

1) An enterprise is headed by a general manager who administers as the sole manager the operations of the enterprise. He is responsible to the founder and to the work collective and acts in the name of the enterprise in all matters [pertaining to its successful operation].

2) The general manager makes decisions on enterprise matters independently, as long as his decision is not contingent on the concurrence of an appropriate agency of socialist autonomy of the work collective under this law.

3) In his discussions and decisions the general manager is bound by the legal code, the national interest, the state and economic plans, enterprise interests, and the decisions of autonomous agencies. He works closely with ROH officials in conjunction with their joint responsibility for the socio-economic growth of the enterprise.

4) The assistant general manager has full authority to act for the general manager when he is absent.

Section 24.

1) The enterprise director is chosen and recalled by a secret ballot of the appropriate autonomous agency, usually after 5 years. A proposal for the election or recall of a general manager is presented by the founder for discussion by the work collective council [hereinafter "the council"]. The founder also verifies the election results.

2) Candidates for the position of general manager are chosen from applicants with high political, professional, and moral qualifications for the position, which usually means selection based on a written competition conducted by the enterprise founder.

Section 25.

1) After consultation with the council the general manager selects other managers (assistant general managers) for the enterprise.

Alternative I.

2) The director makes the decision of filling other managerial positions within the enterprise after consulting with the council.

Alternative II

2) Depending on the internal conditions at the enterprise, an assembly of authorized work collectives may elect the plant general manager or other managers. The election is confirmed by the enterprise or the plant general manager.

Section 26. Internal Enterprise Organization

1) Internal enterprise organization and the internal management is under the exclusive jurisdiction of the enterprise business. As necessary, the enterprise will adjust the particulars of the enterprise organizational and managerial regulation.

2) The organization of the internal enterprise management must reflect its specific conditions and needs and be based on the principle of economic responsibility and on involvement of internal enterprise structures (plants, operations, guilds, workshops, organizational divisions, etc.), work collectives, and employees in the process of attaining their economic goals.

Section 27. Socialist Autonomy of the Work Collective

Socialist autonomy is implemented in the form of participation by the work collective in the preparation and adoption of the most important decisions related to the enterprise, their execution, the control of their fulfillment, and the cooperation in filling managerial positions.

Section 28. Autonomous Agencies

Autonomous agencies are:

a) the work collective assembly, or an assembly of work collective delegates (hereinafter "assembly"), which is the executive body of the work collective.

b) the council

Section 29. The Assembly

1) The assembly a) elects and recalls: 1. the enterprise general managers; 2. the council; b) approves, at the general manager's recommendation: 1. draft of the 5-year plan for the socioeconomic development of the enterprise; 2. the annual financial statements and net enterprise profits disposition; 3. the draft proposal for the breakup, merger, or consolidation of the enterprise with another enterprise or entity; c) negotiates: 1. The long-range program for the socioeconomic development of the enterprise; 2. Additional principal measures in the area of management activities which concern the entire work collective; 3. Initiatives proposed by party organizations, pertinent agencies of ROH, or other national organizations affiliated with the National Front.

2) The assembly convenes the council as needed, but at least twice each year. The council must be convened if requested by the general manager or the founder.

3) The assembly may conduct business if two-thirds of its members or delegates, respectively, are present. Resolutions are adopted by a simple majority vote of those present.

Section 30. Assembly of Intra-Enterprise Divisions

If the enterprise assembly so decides, there may be convened, consistent with internal conditions of the enterprise, work collective assemblies composed of representatives from internal enterprise divisions (plants, operations, guilds, workshops, organizational divisions, etc.) These assemblies, if necessary, elect their own councils and they state their positions on proposed principal measures in the area of management activities of the divisions to which a particular work collective belongs.

Section 31. The Council

1) The council is an autonomous collective enterprise agency that bears joint responsibility for the effective financial and social activities of the enterprise.

2) The council reports to the assembly on a regular basis concerning its activities, and is responsible to the assembly.

Section 32. Council Composition

1) The enterprise charter sets the number of council members based on the size of the work collective.

2) The council is chosen for at least a 3-year term by secret ballot.

3) Two-thirds of the council members are to be elected from the ranks of outstanding workers, foremen, skilled workers, and representatives of the party, union, youth and other public organizations within the enterprise which are affiliated with the National Front. One third of the council members is selected from experts proposed by the general manager.

Section 33. Authority of the Council

The council:

a) makes sure that assembly resolutions are carried out and reports back to the assembly;

b) approves implementation plans for the economic and social development of the enterprise, proposed by the general manager;

c) approves principles of internal enterprise management and organization proposed by the general manager;

d) prepares proposals to make changes in enterprise statutes and approves amendments proposed by the general manager for presentation to the founder;

e) discusses documents presented to the assembly, convenes the assembly, and prepares its agenda.

f) establishes the methods for the election of the general manager and council, and organizes these elections in conjunction with the pertinent ROH agency;

g) establishes, after discussions with the general manager, the details of activities of the internal enterprise divisions assembly and the establishment, composition, and authority of these divisions' councils;

h) elects the chairman and vice-chairman of the council by a secret ballot;

i) evaluates proposals for other principal measures which are related to the management of the enterprise and of its entire work collective, and which are presented to the assembly;

j) presents its own initiatives for improvements in efficiency of the financial and social activities of the enterprise.

Section 34. Council Decision Making

1) The council is competent to conduct business if two-thirds of its members are present; decisions are adopted by a simple majority vote;

2) the general manager or his assistant, participates in council deliberations and informs the council of his views on the issues under discussion;

3) if the founder or an appropriate government agency so decides, its representative may participate in these council sessions.

Section 35. Binding Nature of Resolutions

1) Assembly and council decisions are binding on all members of the work collective.

2) Council resolutions related to deliveries for national security or defense purposes, the fulfillment of obligations under international treaties, or other similarly important national interests may not be adopted without the approval of either the founder or a representative of an appropriate government agency;

3) The general manager is entitled to submit a matter on which he does not agree with the council to the full assembly for decision. If he does not agree with that decision, he can present the case for a final ruling to the founder. The subject matter under appeal to the founder cannot be acted upon until the founder's final decision is made.

Part IV. Management, Economic and Social Activities of Enterprises

Section 36. The State Plan

1) Enterprise economic activity is managed by the government plan for economic and social development (hereinafter the "state plan"). This plan is the basis for implementing the policy of the CPCZ and of the socialist government. The goals and objectives of the state plan are essentially implemented at the enterprise level through economic means and processes.

2) The enterprise is the direct recipient of the data contained in the state plan, that is of specific tasks, standards, constraints, and subsidies.

3) The specific tasks, standards, and constraints are binding for the enterprise.

4) The CSSR Government may establish which other items of the state plan are binding for enterprise.

Section 37. The Economic Plan

1) The enterprise is required to formulate strategic plans as the basic mechanism for managing their business operations;

2) The enterprise formulates its strategic plans with the broad participation of the work collective. The work collective participates actively in the implementation and controlling the fulfillment of these plans.

Section 38. Content of the Strategic Plan

1) Enterprise strategic plans must provide for meeting specific targets set in the state plan as well as the requirements of any special regulations. It must also take account of business contracts, job orders or trade orders, market research findings, and the enterprise business plans.

2) In compiling strategic plans, the enterprise must make full use of all available resources and potentials, including research and development resources, advanced standards for labor utilization, raw materials, semi-processed materials, energy and fuel consumption, and must strive to reduce total costs, improve labor productivity, and increase net profits.

3) The enterprise is required to maintain planning discipline.

Section 39. Socialist Entrepreneurship

1) The enterprise develops its economic activities according to the plan and the principles of socialist entrepreneurship and economic competition. Socialist entrepreneurship is understood to be the utilization of all possibilities allowed by the legal code, and especially the rights and responsibilities established in this code to allow enterprises, in line with their mission, to satisfy comprehensively and effectively all the needs of socialist society at a minimum cost.

2) The enterprise may not misuse its position as a socialist manufacturer to the detriment of other entities or the society as a whole.

Section 40. Business Contracts

1) Business contracts assure the fulfillment of tasks related to strategic plans and changes in demand on both the domestic and international markets;

2) Signed business contracts must commit the enterprise to the proper and timely fulfillment of the needs of society in line with its by-laws;

3) Compliance with all valid contracts is an obligation of the enterprise. Meeting contractual obligations affects final performance figures and has an impact on the formation of enterprise funds and on compensation for the work collective.

4) The enterprise bears any and all material costs resulting from failure to fulfill contractual obligations.

Section 41. Research and Development Progress

1) A primary responsibility of the enterprise is the practical application of the latest research and development findings.

2) Enterprises are responsible for continuous improvement of their technological and economic standards, the quality, and competitiveness of their products, in order to satisfy the growing needs and requirements of consumers, the whole socialist society, and the leading world markets.

3) Enterprises involved in research and development will build, as needed, their own research, development, design engineering, and similar worksites, and will cooperate with work facilities of the academies of science, research and development institutes, universities, and other research and development worksites and branch offices of the scientific and technological societies.

4) In the interest of accelerating the research and development progress, enterprises will use various forms of linking research and development with production and may merge resources and operations to achieve such goals.

5) The enterprise is obligated to conduct constant technological modernizations and restructuring of its production, technology, and other facilities and to liquidate obsolete technologies and equipment.

Section 42. Distribution System

1) The enterprise, in conjuction with other enterprises or entities, provides for its material and technical needs related to production and other requirements in such a way that economic and social operations move smoothly and so that it uses available resources and inventories most effectively.

2) To this end the enterprise will organize its own distribution system and select its supply (purchasing) methods needed, within the economy, for an effective circulation of products, raw and semi-processed materials. In certain instances these distribution systems will be operated in cooperation with appropriate central agencies.

Section 43. Sale of Goods

1) An enterprise sells its output and thereby gains resources to fulfill its own obligations, to provide for its further effective development, and to meet the needs of its work collectives.

2) The enterprise will choose the optimal marketing strategy for its own goods.

Section 44. Prices

1) The enterprise will sell its goods at prices established by government agencies or by other authorized organizations. Subject to conditions specified by these agencies, the enterprise has a right to enforce the contract prices negotiated with the end user (consumer), or to deviate from established prices.

2) Any new pricing or price adjustments must have firm economic justification.

3) The enterprise bears full responsibility for compliance with the state regulations governing price controls. Assets obtained through violations of pricing discipline, if they are not returned to the customer from which they came, are transferred to the state budget. An enterprise that has unjustifiably raised prices, but has not arranged for a reimbursement, must make a supplementary payment to the appropriate budget and in an amount set by special regulations.

Section 45. Credit

1) The enterprise makes active use of credit for both its business and social programs.

2) The enterprise is responsible for the efficient utilization of credit and a repayment of the loan when due. Loans may only be used for the purpose for which they have been made.

Section 46. Grants and Subsidies

A strictly targeted system of grants and subsidies is used to provide incentives for and to channel the activities of enterprises in a desirable direction. In cases where the grants and subsidies are not elements of the state plan, decisions concerning their allocation to specific purposes are made by the appropriate agency of the government, or the national committee.

Section 47. Enabling Resolutions

Enterprise financial management, pricing, granting of credits and of grants and subsidies are governed by special regulations.

Section 48. Foreign Trade Activities

Alternative I.

An enterprise may be granted the right to engage directly in foreign trade activities. This right is granted on the basis of special regulations.

Alternative II.

1) An enterprise may generally carry out its foreign trade activities on the basis of foreign currency profitability and self-financing principles. The result of these activities is an inseparable part of enterprise economic performance and has a direct impact on fund formation of the enterprise.

2) Special regulations may determine which forms of foreign trade activities may be engaged in only with permission and through specialized foreign trade organizations.

Section 49.

Special regulations govern the legal status and the standing of joint ventures with foreign participation and procedures by which they may be established.

Section 50.

1) The enterprise has the right to establish a foreign currency fund, to be formed according to prescribed foreign currency rates, from revenues generated by the export of goods, foreign currency revenues from cooperative deliveries and sales of licenses, as well as from savings of available foreign currency sources or foreign currency grants.

2) Foreign currency resources help to support the development of enterprise business activities, to cover import requirements, to pay foreign currency obligations, and to repay foreign currency loans.

Section 51. Protection and Enhancement of the Environment and a Rational Use of Natural Resources

1) The enterprise is required to organize its economic and social activities in a way that will best protect the environment from harmful influences resulting from its operations, and so that these operations will not affect the health of the general public. Internal resources are used for all such programs.

2) For new facilities, modernization, restructuring, and expansion of production capabilities, the enterprise is obligated to include in its construction budgets environmental protection equipment, and to install and operate this equipment on an ongoing basis.

3) Environmental damage caused by the enterprise will be charged to its account according to special regulations.

Section 52.

1) The enterprise is responisible for the rational use and protection of natural resources.

2) The enterprise is obligated to efficiently utilize the wastes from its operations as secondary raw materials and energy, to document and collect them at appropriate locations, and either store them safely or detoxify them in ways that will not threaten the environment.

Section 53.

1) The enterprise must pay standard user fees or other payments for the use of natural resources.

2) In implementing measures to protect and enhance the environment and to effectively utilize natural resources, the enterprise must work closely with appropriate national committees and consider their interests.

Section 54. Socioeconomic Information

1) In order to exert influence on overall economic activity, on the analysis of ways, techniques, and methods for developing business activities, on ensuring effective management and the fulfillment of planning tasks, the enterprise is required to maintain records of its performance, store socioeconomic information, and control the flow of economic activities.

2) The enterprise is obligated to process and provide socioeconomic information to the appropriate agencies within the agreed-on terms.

3) It is permissible to request the submission of socioeconomic information from an enterprise only to the extent provided for in the relevant regulations.

Section 55. Controls

1) The enterprise is required to develop an effective system of control, to assure a systematic control of the fulfillment of state plan targets and the fulfillment of all other important enterprise targets. Controls must be implemented as an integral component of management, they must support management objectives and contribute to a convergence of interest between the enterprise, the society, and the work collectives.

2) Inspection and control of enterprise activities may be conducted by the founder as well as by other agencies which are authorized by law to carry out such tasks. Inspection and control must contribute to a rise in effectiveness of the economic and social activities of the enterprise.

3) Factory people's control commissions may be established within enterprises based on special regulations.

Section 56. Annual Final Accounting

The enterprise is required to provide the founder, appropriate state agencies, and State Czechoslovak Bank Branches with its annual profit and loss statement.

Section 57. Enterprise Entrepreneurial Initiative

If an enterprise determines that the pursuit of particular economic opportunities would warrant establishing another enterprise, it may present such a proposal to the appropriate founder.

Section 58. Social Development of the Work Collective

The implementation of an active social policy is one of the enterprise main responsibilities; it is a prerequisite and an effective means for facilitating the efficient fulfillment of economic targets; for fostering worker initiative and an active participation of employees in the social and political life of the work collective, as well as for further improving the socialist life style of the employees.

Section 59.

The use of assets from the cultural and social needs funds is determined jointly by the enterprise and the appropriate agency of ROH. In line with special resolutions, the enterprise also finances its social activities from other sources whose formation depends on the fulfillment of work tasks by every worker and his entire collective, as well as on the final enterprise business performance.

Section 60.

The enterprise carries out its social programs in conjunction with the ROH agencies, other organizations of the National Front and national committees and participates in the development and execution of the election campaigns of the National Front.

Section 61.

1) The enterprise is required to create the best possible social conditions for its employees, with special emphasis on health, housing, and cultural opportunities. The enterprise is required to meet objectives in the area of comprehensive benefits programs mandated by labor law regulations.

2) The enterprise must also make the benefits offered to its employees available to its former workers and retirees as well.

Section 62.

The enterprise plans its tasks in the social area concurrently with planning its economic objectives. Plans for personal and social development receive special attention. The tasks established in these plans represent the content of collective contracts signed by the enterprise, autonomous agencies, and the appropriate ROH agency.

Section 63.

The enterprise is required to provide training and development opportunities, and to fully support schools and school facilities, with a primary focus on modernizing the training and development of future professions in accord with its economic needs.

Work and Wages

Section 64.

1) The mutual rights and responsibilities of the enterprise and its employees are codified in the regulations and the work code of the enterprise.

2) The conscientious and committed fulfillment of work tasks is among the primary responsibilities of the employees, as are efficiency and labor productivity improving quality and the technical standards of products, improving worker qualifications in line with enterprise needs, maintaining order and discipline, protecting socialist property, making efficient use of entrusted property, compliance with health and safety regulations as well as observing the regulations governing the work the employees are engaged in.

Section 65.

1) The enterprise remunerates workers according to the work they actually perform; it follows special regulations, collective contracts, internal regulations, and administers an economic incentive program. It emphasizes the role of those wage components that reflect true merit in the worker's performance, in the performance of work collectives, of internal enterprise divisions (factories, operations, guilds, workshops, organizational divisions, etc.), as well as of the enterprise as a whole.

2) The enterprise creates wage funds in proportion to the success of its management. The process is governed by special regulations.

3) In all questions related to work organization and compensation, enterprise agencies are to work closely with ROH agencies, respecting their jurisdiction.

Cadre and Personnel Work

Section 66.

The selection, hiring, assignment, preparation, and evaluation of workers is conducted by enterprise management in cooperation with party organizations and with the active involvement of ROH agencies, the Socialist Youth League, and other national organizations in such a way as to develop the best possible work collective able to carry out all its functions.

Section 67.

Based on its needs, the enterprise recruits pupils for programs in secondary school professional training centers, trains young people for blue collar occupations, upgrades the qualifications of its employees, and participates in the education of pupils and students at other schools. For this purpose, it develops its own training facilities, cooperating with schools and other training institutions.

Section 68.

Enterprises have an obligation to see that worker qualifications are optimally utilized. They must assure that the job classifications of employees correspond to their abilities, qualifications, and state of health. It facilitates the initiation of workers entering their first job following their training programs, as well as the retraining and other kinds of upgrading of the professional, political, and cultural competence of its employees in line with pending structural changes, modernization and reconstruction, research and development progress, and management improvements.

Section 69.

The enterprise must regularly evaluate the competence of selected professionals in regard to their job functions. The list of positions subject to this regular evaluation program, the way in which the program will be carried out, and the time period over which it is held, are established in the labor code of the enterprise concerned.

Section 70.

In implementing changes designed to improve organization and efficiency, the enterprise is required to announce the projected changes to all affected workers at least 6 months before they are to take place, and offer them the opportunity to switch to a new position. Alternatively, the enterprise must work with the local national committee or central agencies to assist effectively in locating work in another enterprise or organization, so that workers' rights under the Constitution of the CSSR and other regulations will be protected.

Part V

Rights and Responsibilities of the Founder; Special Types of Enterprise

Section 71. Rights and Responsibilities of the Founder

1) An enterprise founder is either a central government agency or a national committee.

2) A central government agency is responsible for negotiating the establishment of an enterprise with the appropriate national committee.

3) The founder has the right of control over the economic and social activities of the enterprise.

4) In the event that the enterprise is not able to fulfill its economic function, the founder is required:

a) to consolidate the enterprise using a restructuring plan over a specific period of time, and to monitor plan compliance;

b) to appoint direct administrator for a period up to 3 years if the consolidation does not produce results;

c) to further consolidate or break up the enterprise if such changes will improve the ability of the enterprise to fulfill its economic function;

d) to disband the enterprise if the measures under a) through c) above do not result in any improvements in the ability of the enterprise to fulfill its economic function.

Section 72. A Consolidation Program

1) A consolidation program is a set of economic, organizational, personnel, and other measures aimed at reviving the ability of the enterprise to fulfill its economic function.

2) The enterprise is required to implement properly and within the requisite time a consolidation program developed by its founder.

Section 73. Direct Administration

1) Direct administration of an enterprise involves the transfer of enterprise management from the current agencies, even autonomous agencies, to agencies established by the founder in the event that incompetent enterprise management has produced such poor results as to threaten the value of the original assets of the enterprise.

2) The establishment of direct administration is entered into the enterprise register. The day this recording is made is the day that the administrator appointed by the founder assumes control.

3) The founder supervises the work of the direct administrator.

4) Once the period of direct administration is over, new enterprise agencies will be set up, provided the enterprise is still in business.

5) The approach to liquidating the enterprise (Section 19, paragraph 4), and the details of direct administration are codified in resolutions of the CSSR Government.

Section 74.

The founder is responsible for evaluating enterprise proposals for the founding of additional enterprises, and for submitting his decision to the proposing party (Section 57).

The Beneficial Public Enterprise

Section 75.

1) An enterprise whose basic activity is the satisfaction of gene .lly beneficial or special public interests, interests to which the principles of socialist entrepreneurship cannot be fully applied, while this fact is recorded in its bylaws, a beneficial public enterprise.

2) The founder of a beneficial public enterprise covers the costs of satisfying generally beneficial or special public interests to the extent that they are not covered from other sources.

The position and legal standing of beneficial public enterprises are covered by the provisions of this law with the following exceptions:

a) the general manager is named by the founder, based on council recommendations;

b) one-third of the council members are elected from the ranks of workers of the beneficial public enterprise, with the remaining two-thirds of the council members named for the same period by the general manager from the ranks of experts, the sole criterion being that half of them must be from among the enterprise employees.

Section 77.

The CSSR Government determines the fields of activity in which beneficial public enterprises may be founded.

Merging of Assets and Operations

Section 78.

Enterprises may voluntarily merge their assets or operations in order to fulfill their tasks.

Section 79.

Enterprises control the merging of their assets or their operations, based on merger agreements which mainly define the purpose, the activity that motivates the association, the way it will be carried out, the rights and responsibilities of the participants, the amount of the respective participation share to cover the costs related to the agreed-upon activities, the guarantees for the association obligations, the consequences of violating responsibilities of the agreement, the conventions for settling liabilities after the disbanding of the association, and the conditions under which a participant may leave the association.

Section 80.

Association participants share in profits in direct proportion to their shares or scope of activity contributed to the achievement of the joint performance. Association participants also share losses in proportion to their ownership share.

Section 81.

The contract of association becomes void if:

a) the goal for which the association was formed is either reached or it is confirmed that it will never be reached;

b) the time period for the association existence expires.

c) agreement among association participants so resolves.

Section 82.

Special regulations govern the association of enterprises with other Czechoslovak or foreign entities.

Part VI. Common, Transitional, and Concluding Provisions

Section 83.

Common Provisions

1) The provisions of this law extend to state insurance agencies and state savings and loan associations, as long as there are no special regulations to the contrary.

2) The provisions of this law extend to enterprises and the economic facilities of social organizations as appropriate.

3) The provisions of this law do not apply to cooperative enterprises or organizations, foreign trade enterprises, corporations, joint ventures with international participation, monetary institutions, or to non-socialist organizations.

Section 84.

The Commercial Code codifies cooperation among state enterprises and their liability for violating established responsibilities as well as their payment and credit relationships.

Section 85.

Temporary and Concluding Provisions

1) These provisions will be adjusted and supplemented in conjunction with work on the Comprehensive Document for Restructuring the Economic Mechanism.

2) Projections call for this law to take effect no later than 1 January 1989, with individual parts of the law gradually taking affect so that the entire statute can take effect on 1 January 1991.

KROLIKOWSKI, MALAGASY OFFICIAL DISCUSS RELATIONS

LD111903 East Berlin ADN International Service in German 1637 GMT 11 Aug 87

[Text] Berlin, 11 Aug (ADN) -- Tribute was paid to the close and friendly relations between the GDR and Madagascar by politicians from the two countries in Berlin today. Werner Krolikowski, first deputy chairman of the GDR Council of Ministers and member of the SED Central Committee Politburo and Lucien Xavier Michel Andrianarahinjaka, president of the People's National Assembly of the Democratic Republic of Madagascar, also spoke in favor of their development.

During their meeting the politicians concurred or reached approximate positions concerning the struggle to preserve and consolidate peace, achieve arms limitation and disarmament, and to eliminate nuclear weapons, and concerning the struggle against colonialism, neocolonialism, apartheid and racism.

Werner Krolikowski described peace as a condition for achieving the demanding political, economic and social goals decided on in the GDR. Peace and international security are also fundamental preconditions for further success in the struggle to overcome hunger, poverty and underdevelopment.

The Malagasy parliamentary president expressed his country's full support for the comprehensive peace program of the states of the socialist community, which had been inspired by the Soviet Union. He paid tribute to the GDR's active and consistent peace policy.

Touching on the situation in southern Africa, the partners in the meeting condemned the policy of destabilization carried out by the apartheid regime toward the region's independent states. Werner Krolikowski gave an assurance that the GDR would continue to provide solidarity and support to the OAU struggle against neocolonialism, racism and apartheid.

SED CC SENDS GREETINGS TO GUYANA'S PNC CONGRESS

AU110937 East Berlin NEUES DEUTSCHLAND in German 10 Aug 87 p 1

[Text] East Berlin (ND) -- The SED Central Committee has sent the following greetings message, signed by General Secretary Erich Honecker, to the delegates of the Seventh Congress of the National People's Congress of Guyana [PNC], which will start today, Monday:

Dear Comrades:

The SED Central Committee conveys to the delegates of the Seventh PNC Congress cordial greetings and best wishes for the success of the deliberations of your party's highest forum.

We note with satisfaction that relations between the SED and the PNC, between the GDR and the Cooperative Republic of Guyana, have developed in the spirit of friendship, mutual respect, and anti-imperialist solidarity. Our two parties have identical standpoints with regard to the basic questions of our time and the struggle for a peaceful future for our peoples.

Your congress is taking place at a time when responsible cooperation between all forces of peace, reason, and realism can save mankind from perishing in a nuclear inferno, and can force a change toward disarmament and international detente.

The Warsaw Pact proposals for a nuclear-free world, for overcoming underdevelopment, and for the creation of a new international economic order also constitute a constructive platform for the joint struggle against those forces which attempt to undermine national independence and sovereignty -- in particular that of young national states -- and cause serious international tensions through direct military provocations, such as those against Nicaragua.

At present the GDR working people are dedicating all their strength to implementing the decisions of the 11th SED Congress, to continuing our national economy's dynamic development, to steadily raising the people's cultural and material standard of living, and to further shaping socialist democracy. We consider the strengthening of socialism on German soil an essential contribution to the safeguarding of peace.

It is the SED's sincere desire to continue to develop and deepen relations with the PNC for the benefit of our peoples.

With socialist greetings,

SED Central Committee

E.Honecker
General Secretary

BRIEFS

FRG TRAINEES IN GDR -- East Berlin (ADN) -- On 6 August, Bruno Lietz, GDR minister of agriculture, forestry, and foodstuffs industry, talked to the five agricultural trainees from the FRG who are now staying in the GDR. Under an agreement between the GDR Ministry and the FRG Ministry of Food, Agriculture, and Forestry, they have been working since mid-June in agricultural production cooperatives or on GDR state farms for a 3-month advanced training. The young peasants stated in concert that they were impressed by the good cooperation in the enterprises where they practiced. They were received into the collectives at the very beginning and in their daily work became acquainted with all operating sectors of the LPG's and state farms. Minister Bruno Lietz stated in conclusion that the exchange of trainees between the GDR and the FRG constitutes a first attempt. It promotes a better understanding between the two German states and thus also serves the preservation of peace. [Excerpts] [East Berlin NEUES DEUTSCHLAND in German 7 Aug 87 p 2 AU]

PZPR DELEGATION VISIT -- On 6 August, a delegation of the PZPR Central Committee under the leadership of Stanislaw Seklecki [name as published], deputy head of the Political Organization Department of the PZPR Central Committee, wound up a several day visit to the GDR. The Polish guests visited vacationing facilities in Berlin and in Neubrandenburg and Frankfurt (Oder) bezirke where Polish children and youths are vacationing together with pioneers and FDJ members. [Excerpt] [East Berlin NEUES DEUTSCHLAND in German 7 Aug 87 p 2 AU]

MANFRED SCHUBERT DIES -- The SED Central Committee announces with deep grief that our Comrade Prof Dr Engineer Manfred Schubert, president of the Chamber of Technology and deputy to the People's Chamber, died on 7 August 1987 at the age of 57 years, after a serious disease. [Excerpt] [East Berlin NEUES DEUTSCHLAND in German 8/9 Aug 87 p 2 AU]

MSZMP DELEGATION LEAVES FOR CPUSA CONGRESS

LD120908 Budapest MTI in English 0840 GMT 12 Aug 87

[Text] Budapest, August 12 (MTI) -- A Hungarian party delegation headed by Miklos Horvath, first secretary of the Vas County Committee of the HSWP, left for Chicago on Wednesday to attend the 24th Congress of the Communist Party of the United States.

GROSZ ADDRESSES CHAMBER OF COMMERCE MEETING

LD111938 Budapest Domestic Service in Hungarian 1630 GMT 11 Aug 87

[Text] The Presidium of the Hungarian Chamber of Commerce has discussed the government's economic-social stabilization program. The session was attended and addressed by Karoly Grosz, member of the party's Politburo and chairman of the Council of Ministers. The chamber's Presidium has adopted a stance on the draft stabilization program.

BRIEFS

ENVOY TO TANZANIA RECEIVED -- Dar es Salaam, August 11 (MTI) -- Tanzanian President Ali Hassan Mwinyi, and First Vice-President and Prime Minister Joseph Warioba, and Second Vice-President Idris Abdul Wakil received the farewell visit of Marton Szabo, Hungarian ambassador accredited to the United Republic of Tanzania. [Text] [Budapest MTI in English 1800 GMT 11 Aug 87 LD]

BERECZ VISITS ZALA -- Janos Berecz, Politburo member and secretary of the MSZMP Central Committee, has paid a 2-day visit to Zala county. Yesterday he was briefed in Zalaegerszeg on the region's economic and social situation. Today he visited the Zala Furniture factory, the animal trade and meat industry enterprise, the town's sports center, and the new 24 room grammar school. After some sightseeing, Janos Berecz went to the cable television station studio in Zalaegerszeg and, at the end of his program, took part in a meeting of activists. [Text] [Budapest Domestic Service in Hungarian 1630 GMT 5 Aug 87 LD]

JARUZELSKI, OTHERS SEND MESSAGE TO LAO LEADERS

BK081250 KPL in English 0900 GMT 8 Aug 87

[Text] Vientiane, August 8 (KPL) -- Lao party and state leaders have received a joint message of thanks from leaders of the Polish People's Republic.

The message was addressed to Kaysone Phomvihan, general secretary of the CC, chairman of the Council of Ministers, Phoumi Vongvichit, acting president of the republic, and Sisomphon Lovansai, acting-president of the People's Supreme Assembly of the Lao PDR. It was signed by Wojciech Jaruzelski, first secretary of the PZPR CC, president of the Council of State, Roman Malinowski, president of the Sejm, and Zbigniew Messner, chairman of the Council of Ministers of the PPR.

The message thanked the Lao leaders for their greeting messages on the national day of Poland.

It expressed the wish for furtherance of the longstanding relations of friendship, solidarity and cooperation between the two countries.

Also on the same occasion, Foreign Minister P. Sipaseut has received a message of thanks from his Polish counterpart, Marian Orzechowski.

PRESIDIUM DISCUSSES TAX, PHARMACEUTICALS

LD102121 Warsaw PAP in English 2030 GMT 10 Aug 87

[Text] Warsaw, Aug. 10 -- The Government Presidium met here today to acquaint itself with the analysis of the functioning of tax on extra-normative payments of remuneration in the context of limiting the excessive flow of money on the market and the effectiveness of mechanisms stimulating production growth.

The meeting stressed that the introduction of this tax is aimed to establish the closest possible link between the level and growth rate of pay and economic results of enterprises. The shaping of remuneration should take place only within worked out means.

It was considered alarming that more than 1,000 enterprises reported pay raises, often big ones, accompanied by a production fall.

Soon, the Treasurer's Office will start collecting tax due to extra-normative payments of remuneration from enterprises, as well as depriving of reductions and subsidies when the amount of the tax exceeds 25 per cent of profits.

Next, the Government Presidium made decisions to ensure conditions for an additional production of pharmaceuticals in 1987. The presented proposals are designed to fully implement the assumptions of the operational programme of the population's health protection and to establish bases of bigger production than envisaged in this year's central annual plan.

CEAUSESCU MEETS PLO'S 'ARAFAT IN SNAGOV

AU111751 Bucharest Domestic Service in Romanian 1700 GMT 11 Aug 87

[Text] Comrade Nicolae Ceausescu, RCP secretary general and president of the SR of Romania, met today, in Snagov, with Comrade Yasir 'Arafat, PLO Executive Committee chairman who is paying a visit to our country.

The RCP secretary general and the PLO Executive Committee chairman expressed satisfaction at this new meeting, which reflects the good relations between the RCP and SR of Romania, on the one hand, and the PLO, on the other, as well as those between the Romanian and Palestinian peoples.

Comrade Yasir 'Arafat again expressed a most heartfelt and profound thanks to Romania and Comrade Nicolae Ceausescu personally for the constant support granted to the Palestinian people's just cause and highly valued the actions and initiatives launched by our country and Romania's president for constructively resolving the Middle East problems. Comrade Nicolae Ceausescu reiterated Romania's steady position concerning the achievement of a last and just peace in the Middle East as well as the Romanian people's determination to further support the Palestinian people's just struggle to attain their legitimate aspirations to live and develop in their own free and independent state, in full security and peace.

During the talks, Comrade Nicolae Ceausescu and Comrade Yasir 'Arafat again emphasized the need for a political and negotiated solution to the Middle East problems, for a global and lasting peace in that region -- on the basis of Israel's withdrawal from the occupied Arab territories and the resolution of the Palestinian people's problems by recognizing their right to self-determination, including the creation of their own independent Palestinian state -- and for ensuring the integrity, sovereignty, and security of all states in that area.

In this respect, the sides stressed the importance of organizing a UN-sponsored international conference, with the participation of all interested sides, including the PLO as sole legitimate representative of the Palestinian people and the permanent members of the Security Council. In this respect, they assessed that it would be useful to set up a preparatory committee, in which interested Arab states, the PLO, and Israel should also participate, as well as the permanent members of the Security Council.

The two leaders emphasized that all states should make joint efforts to ensure that the forthcoming UN General Assembly reach an understanding on the speedy launch of preparations for an international conference on Middle East problems, so that such a conference can start as soon as possible. Comrades Nicolae Ceausescu and Yasir 'Arafat stressed that this international conference and the resolution of Middle East issues in general should be based on all UN resolutions concerning the Palestinian and Middle East problems, including Resolution 242, and on insuring the Palestinian people's right to self-determination and the creation of an independent Palestinian state. The sides also emphasized the need to enhance the unity and organizational strength of the PLO and expand cooperation among Arab countries, as key prerequisites for resolving the Middle East situation. The sides also examined certain topical international developments, with particular emphasis on the problems of disarmament and peace.

Comrades Nicolae Ceausescu and Yasir 'Arafat pointed to the fruitful nature of their talks and expressed the conviction that this new high-level dialogue will contribute to further developing relations of friendship and solidarity between the RCP and Romania, on the one hand, and the PLO, on the other, and between the Romanian and Palestinian peoples, to their mutual benefit and in the interest of constructively resolving the problems in the Middle East and of the cause of security and peace in the world.

The talks proceeded in a cordial atmosphere of warm friendship.

Participants in Talks Listed

AU111904 Bucharest AGERPRES in English 1809 GMT 11 Aug 87

[Excerpts] Bucharest, AGERPRES, 11/8/1987 -- On 11 August, Romanian Communist Party General Secretary Nicolae Ceausescu, president of the Socialist Republic of Romania met Yasir 'Arafat, chairman of the Executive Committee of the Palestine Liberation Organization, now on a Romanian visit, at Snagov. [passage omitted]

Miu Dobrescu member of the Executive Political Committee of the CC of the RCP, Ion Stoian, alternate member of the Executive Political Committee, secretary of the CC of the RCP, Tudor Postelnicu, alternate member of the Executive Political Committee of the CC of the RCP, Nicolae Mihai, deputy head of section, the CC of the RCP, participated in the talks.

Also participating were Salim al-Zanum, member of the Central Committee of "Fatah" organization, deputy chairman of the Palestinian National Council, Hayil 'Abd al-Hamid, member of the Central Committee of the "Fatah" organization and of the Palestinian National Council, 'Abdullah Hurani, member of the PLO Executive Committee, Muhammad Chreih [spelling as received], charge d'affaires ad-interim of the PLO Office in Bucharest.

The talks proceeded in a cordial atmosphere of warm friendship.

MOJSOV RECEIVES AL-QADHDHAFI'S PERSONAL ENVOY

LD110858 Belgrade TANJUG Domestic Service in Serbo-Croatian 0813 GMT 11 Aug 87

[Text] Belgrade, 11 Aug (TANJUG) -- Lazar Mojsov, president of the SFRY Presidency, received in Ohrid on 10 August Muhammad Lutfi Farhat, a personal envoy of Mu'ammar al-Qadhdhafi, leader of the Libyan revolution. Farhat handed over a message on Socialist People's Libyan Arab Jamahiriyah views on current developments and relations in the Mediterranean and the region.

During the reception views were exchanged on bilateral relations between the two friendly and nonaligned countries, and a readiness was expressed to continue their successful development. The talks were attended by Milan Galovic, SFRY ambassador in Tripoli, and Kelani Dau Abdallah, secretary of the Libyan People's Bureau in Belgrade. Lutfi Farhat used his stay in Ohrid to tour some of the economic and cultural-historical buildings and sights.

INTERIOR SECRETARY CULAFIC SPEAKS IN PLAV

AU111806 Belgrade Domestic Service in Serbo-Croatian 1300 GMT 11 Aug 87

[Text] Dobroslav Culafic, federal secretary for internal affairs, participated today in the work of the economic and political aktiv of the Plav commune [Montenegro].

Economic and social affairs in the commune were discussed. Culafic, in a lengthy speech, spoke about the essential aspects of the political security situation in Yugoslavia. Bozidar Terzic reports from Plav:

The advancement of relations among nationalities, Culafic said, is the condition for a comprehensive development of this region, and therefore it is a primary task of the LC. Culafic then spoke about the political security situation in Yugoslavia, stating that it was complex and even very grave. In this respect he had in mind the economic crisis that has enveloped all the country, the fall in the standard of living of the working people, the scheming of enemies in the country and abroad, and the influence of the Kosovo counterrevolution on the general trends in the country. He also addressed the LC's lagging attempts to bridge the social and economic abyss that we have found ourselves situated on. A special section of the speech by the Federal Secretary for Internal Affairs referred to the events in Kosovo and their repercussions all over Yugoslavia. Regarding this he pointed out that the tasks emanating from the conclusions of the ninth session of the LCY Central Committee on Kosovo are not any less complex or serious than those established when we opposed the counterrevolution in 1981.

DJURDJEVIK MINERS DEMAND 100 PERCENT WAGE INCREASE

LD111645 Belgrade TANJUG Domestic Service in Serbo-Croatian 1422 GMT 11 Aug 87

[Text] Tuzla, 11 Aug (TANJUG) -- Due to the increase in the price of coal, the existing level of production in the Tito coal mines can ensure an increase of personal incomes of the employees in this collective at the most of up to 30 percent. This was concluded today at an extended meeting of the management board of the Tito mines where the participants discussed the demand made by the miners from the Djurdjevik pit to have their personal incomes increased by 100 percent. Approximately 400 miners from this mine stopped work on Friday because of this demand.

However, the workers' council of the Djurdjevik pit today proposed an increase of 40 percent, while the subsequent 10 percent would be realized through the fulfillment of the plan. The miners will be acquainted with this tomorrow.

In the first 6 months of this year the average personal income in the Djurdjevik mine was 135,000 dinars and the miners justify their demand for a double increase by a big increase in the price of basic foodstuffs.

Turn Down Wage Offer

LD111738 Belgrade TANJUG Domestic Service in Serbo-Croatian 1614 GMT 11 Aug 87

[Text] Tuzla, 11 Aug (TANJUG) -- At today's extraordinary assembly, the miners of the first and second shifts in the Djurdjevik pit turned down the 40 percent increase in the planned value of work points offered and continued their work stoppage. The proposal for such an increase was put forward by the pit's workers' council. According to the proposal, the planned value of a work point would be increased from 11 to 15.4 dinars. The strikers, however, demand a differentiated increase in personal incomes only for pit workers and not for all the employees.

SPLIT DOCK WORKERS MEET FOLLOWING 10 AUGUST STRIKE

LD111742 Belgrade TANJUG Domestic Service in Serbo-Croatian 1600 GMT 11 Aug 87

[Text] Split, 11 Aug (TANJUG) -- Following yesterday's short work stoppage in the port of Split, when about 100 workers of the storage and loading basic organization of associated labor of the port work organization went on strike, an extraordinary meeting of workers was held today. Workers expressed dissatisfaction with the general situation in the country, and in particular criticized constant increase in prices of basic foodstuffs. They expressed readiness to give up a part of their personal income if this were needed to help solve the crisis facing the country, but only on the condition that a deadline be set by which time, with such sacrifices, the crisis could be solved.

The work stoppage in the basic organization of associated labor which employs 750 people, resulted from dissatisfaction with personal incomes. The incomes are relatively high, but are only realized under exceptionally difficult conditions of physical work. The workers at today's extraordinary meeting decided to make up for the time lost by working on Sunday.

SVETOZAREVO CABLE PLANT WORKERS RESUME PRODUCTION

LD111608 Belgrade TANJUG Domestic Service in Serbo-Croatian 1253 GMT 11 Aug 87

[Text] Svetozarevo, 11 Aug (TANJUG) -- Today production resumed in Telekomunikacija and Plastika basic organizations of associated labor and in Masinska Radionica work unit, after a work stoppage that started last Friday in the Mose Pijade cable industry in Svetozarevo. The self-managing and management organs were instructed to examine financial possibilities to increase personal incomes for July by 15 percent.